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EMPLOYEE INCENTIVE SYSTEMS

What are the procedures for instituting an employee suggestion award program? How can service pins improve employee morale? What place do picnics and recognition dinners have in an employee incentive system?

This report cites methods that cities have used to improve employee morale and efficiency through recognition programs, service awards, and other types of incentives that are open to city governments. The information for this report was obtained directly from the city officials listed at the end of this report.

Most management authorities recognize that workers do not measure their success on the job in monetary terms alone. Workers want and need other kinds of recognition to stimulate their interest in their jobs.

More and more cities are sponsoring programs which afford the opportunity for additional recognition and awards to their employees who have shown exceptional ability and outstanding attitude toward their duties. These programs are: (1) employee suggestion award systems, (2) work simplification training, (3) service pin awards, (4) special dinners and social gatherings, and (5) longevity pay.

Employee Suggestion Award Programs

Employee suggestion award programs have not been widely used by municipalities, but many business concerns have had such systems for years. The federal government during World War II instituted award systems in several departments and agencies. On November 30, 1954, the federal government formally organized and incorporated a suggestion program applicable to all federal agencies and departments.

Advantages. The main advantage of an employee suggestion program is the savings in time and money derived from the ideas submitted. These ideas also can improve quality of service or production and introduce new services or procedures. The suggestion award program can stimulate employees to take an added interest in their jobs. It gives municipal employees the opportunity to participate in instituting new changes and allows them to express their abilities and potentialities. It awards the conscientious and imaginative employees and affords other employees the same opportunities.

Disadvantages. The employee suggestion award program has possible disadvantages which have to be guarded against. After the initial interest and activity in making and utilizing suggestions, the program can deteriorate to another forgotten management tool. Suggestions can become sporadic, personal, and unrelated to the over-all work program. It allows employees to use the program to vent their prejudices, gripes, and enmities. It can cause employees to feel that they should be awarded for suggestions improving their personal work habits. A poorly managed program can cause ill will by showing partiality to individual workers or departments, infrequently reporting on progress of submitted suggestion, arbitrarily rejecting suggestions, and unnecessarily delaying the initiation of acceptable suggestions.

Basis for the Suggestion Award Program

An employee suggestion award program should have carefully planned policies and procedures for successful operation. It should be directed by one central authority and based on written rules and procedures. One or more committees should have the responsibility of reviewing suggestions. Adequate publicity should inform the employees of the need and purpose of the program, of its benefits, and its operations. The city should provide standard forms on which to submit suggestions. The employee should be informed about the action taken on his suggestion. The amount of the award should be based on a definite schedule. An appropriate ceremony should accompany the award. The idea should be used, and follow-up inspections should be made to realize full potential.

Central Coordinator. When initiating a suggestion award program one person should be appointed the central coordinator. In many cities this can be the personnel officer. Evanston, Illinois, appointed its personnel director as chief administrator of the suggestion system. In Long Beach, California, the personnel section of the city manager's office administers the suggestion program. The personnel director acts as permanent chairman of a six-man suggestion committee selected by the city manager. In smaller cities the city manager or his assistant can serve as coordinator.

The main responsibility of the coordinator is to maintain over-all supervision of the program. Generally he prepares rules and procedures, issues initial publicity releases, provides information and training to supervisors and key employees, and maintains records.

Rules and Procedures. Before a suggestion program can be initiated, some form of written rules and procedures should be compiled. For the smaller city, the rules and procedures need not be extensive.

Some governmental bodies such as the United States Civil Service Commission, the Department of the Air Force, the city of New York, and the state of New Jersey have published pamphlets which give detail coverage on the organization, rules, and regulations of the employee award program. For example, the United States Civil Service Commission published a *Guide for Using Suggestion Awards to Improve Operations* which contains such items as duplicate suggestions, group suggestions, time limit on submission, suggestion forms, identification of suggesters, investigations, cash awards, tangible and intangible benefits, and presentation of awards. The National Association of Suggestion Systems (25 East Jackson Boulevard, Chicago 4) has a brief review of operating principles and procedures on the suggestion plan. This pamphlet covers such things as policy and organization, eligibility, types of acceptable suggestions, promotional publicity, and certificates of award. Appendix A shows the Tacoma, Washington, municipal ordinance for its suggestion award program.

What is most important in setting up rules and procedures is that a definite operation be formulated so that the program will be permanent. The employees should be aware of the procedures for submitting their suggestions, the types of suggestions that are acceptable, the eligibility standards, the length of time for ideas to be considered, the type and amount of awards, and the rights of appeal or redress.

Suggestion Committee. While one person may act as the responsible coordinator or agent for the program, a committee should review, investigate, decide, and award. The use of a committee removes the feeling of one-man rule especially when its members include employee representatives.

A suggestion committee functions best when the coordinator of the program is the permanent chairman. The members of the committee should be appointed by the chief executive or the department head. Meetings should be held regularly; minutes should be kept; and reports should be made.

Portland, Oregon, has a committee composed of the administrative assistant to each city commissioner, the administrative assistant to the mayor, the employee relations supervisor, and the deputy city auditor. Presently, this committee feels that the suggestion program would benefit if the membership were replaced after one or two years and if one or two representatives on the committee could be from middle management or first-level workers.

In Seattle, Washington, the suggestion award board consists of seven men appointed by the heads of various departments. The members represent the finance branches, the general operations

divisions, the civil service, firemen, and policemen. The secretary and chief examiner of the civil service commission serves as secretary to the suggestion board.

In Tacoma, the general government has a suggestion award board whose members are appointed by the city manager. The department of public utilities also has a similar board appointed by the director of public utilities.

It is not absolutely necessary for a suggestion award program to have a suggestion award committee. The personnel officer, in Evanston, assisted by the administrative assistant to the manager, receives the suggestions; department heads and supervisors affected by the suggestions review and make recommendations; and the city manager approves the recommendations and determines the size of the award.

Publicity. The publicizing of a suggestion program is essential for its initial and continuing operation. The employees should be informed what a suggestion award program is, the reasons for instituting it, the benefits the employee may receive, procedures for making suggestions, and the time it will take for suggestions to be considered.

Tacoma announced its suggestion program in its monthly newsletter, *Your City in Action*. The city manager stressed the importance of the program in his column by stating: "This is your opportunity to help yourself and your City government in developing new ideas which will result in economies in the operation of your government." This newsletter outlined the suggestion award system and contained an employee suggestion form.

Once the program has been announced, arrangements should be made for continuing publicity. This can be done by adequately placed and clearly marked suggestion boxes, bulletin boards, newsletters, and memorandums to remind people of the program. The suggestion boxes should be clearly identified, attractive, and located so that they are accessible to all employees.

Suggestion forms should be available near the boxes. It is a good idea to have a poster over or near the suggestion box as a constant reminder of the program and also to attract attention to the box. A weekly or monthly news bulletin can report the progress and results of the program.

Eligibility of Employees. A definite policy must be made on who is eligible to submit suggestions. Nonsupervisory and nontechnical personnel are eligible to submit suggestions concerning their jobs and their work group. Supervisory and technical personnel may be allowed to make suggestions relating to other departments or to operations outside their work responsibility. Department heads and staff personnel in such areas as budgeting and management research normally are not eligible for awards. Persons directly connected with the suggestions award program are excluded.

New York City in its *Manual of Policies and Procedures* on employee suggestions allows any employee paid in whole or in part from municipal funds to participate. Persons excluded are those of the administrative staff of the suggestion program, departmental coordinators, and members of departmental committees. Persons who are responsible for suggesting changes and improvements are not eligible to submit ideas relating to their work spheres but may do so otherwise.

The National Association of Suggestion Systems points out in its pamphlet, *The Suggestion Plan*, that some people consider suggestions which produce savings or improve job performance worth while regardless of source. They feel that widespread recognition of suggestions stimulate interest and participation. The Public Personnel Association (1313 East 60 Street, Chicago 37) in its "Personnel Brief" for September, 1952, on *Employee Suggestion Systems*, said that when doubt arises as whether an employee's suggestion is part of his normal responsibility the ruling is usually resolved in his favor.

Eligibility of Suggestions. The city should determine what suggestions are ineligible for consideration and award to preclude dispute. Tacoma lists the following suggestions which are not eligible for award:

1. Ideas that do not pertain to city operations.

2. Suggestions for changes that the employee could have introduced without the approval of higher authority.
3. Complaints which fail to offer a constructive solution to a problem.
4. Requests for additional equipment of a common nature or for obvious replacements, repairs, or maintenance.
5. Petitions or anonymous suggestions.
6. Solutions to problems that an employee might normally be expected to offer as part of his job.
7. Any changes under consideration at the time the suggestion is made.

Suggestion Form. It is good procedure to require all suggestions to be filed on a standard form. The form may provide instructions on filling out the forms, space to describe the present procedures or methods of operation, and sufficient space to write the new method or improvement. The forms used by Long Beach and Evanston are illustrative examples that can be adapted by other cities (Appendices B and C).

Identification of Suggestion. The suggester identification normally is withheld at some stage during the consideration of his idea. It may be done initially when the employee files his suggestion, as in Evanston. The suggestion form provides a number which appears at the top in the upper right-hand corner and also at the bottom of the lower right-hand corner. The employee, when he submits his suggestion, tears off the bottom stub and retains that number as his method of identifying his suggestion. He uses a preprinted envelope and mails it to the city manager. Further communications relating to the idea are identified by this number, and the employee claims his award by presenting the receipt.

Tacoma's suggestion form provides a stub at the top of the form for the employee to sign in his name, address, department, and subject of suggestion. In the upper right-hand corner of this stub an identification number is placed. This number is placed also on the main body of the suggestion form. When the employee files his suggestion, the stub containing his name and other identification is removed so that while it is under investigation the suggester's identity is unknown.

Consideration of Suggestions. The suggestion committee or the suggestion coordinator initiates action upon receipt of the employee suggestion.

In Portland, Oregon, the secretary of the awards committee receives all suggestions. The secretary prepares a weekly calendar not less than 24 hours in advance of the regular meeting and delivers copies to each member beforehand. The chairman of the committee calls the committee together at least once a week to consider the business in order of appearance on the calendar. The committee may solicit information from any and all sources, including the suggester and his supervisor, relative to the merit of any suggestion. The awards committee sends its recommendations to the city council for approval.

In Evanston, the office of the city manager receives the suggestions. Here pertinent data about the suggestion (number, date of submittance, and ledger number) are assigned and are entered in the master ledger. The personnel office next receives the suggestions, and duplicate copies are made (the original is never sent out for any reason) for distribution to supervisors for their evaluation. The relevant department heads receive their reports and recommend approval or rejection. All action taken is recorded on a form attached to the original suggestion, and the suggestion is sent to the city manager for final approval.

In Long Beach, departmental personnel pick up suggestions once a week from the 30 suggestion boxes located throughout the city and forward them to the personnel office. The personnel office receipts the suggestions, sends acknowledgements, and forwards the suggestions to appropriate departments for evaluation. These departments evaluate the suggestions and make their recommendations. If approved by the department, it initiates action necessary to place the suggestion into effect. If disapproved, a detailed explanation for disapproval is rendered to the personnel office. The suggestion committee recommends the amount of the award to the city manager who has final authority on all suggestion awards.

Periodical Reporting. It is vital for the success of any suggestion program that all suggestions submitted be acknowledged as quickly as possible. The National Association of Suggestion Systems, in its *Report on the Study of Adoption and Non-Adoption Letters*, presents the various form letters that can be used to inform submitters of the progress of their suggestions.

The chairman or secretary of the suggestion committee, or the person who first receives the form, must immediately acknowledge receipt of the suggestion, tell the employee how long it will take to consider his idea, and thank him for his cooperation in the program. In Long Beach, this is accomplished by returning the stub of suggestion program to the suggester. In Evanston, receipt acknowledgements appear in a weekly bulletin and are posted on special bulletin boards.

Suggestions that have been rejected immediately because they are trivial, inapplicable, or impossible to adopt should be reported to the submitters. The letter should be brief but polite telling the employee why his suggestion could not be considered at this time and inviting him either to re-submit it or to continue to submit further ideas.

In cases where an idea could be acceptable under certain conditions, but cannot be used at present, a personal conference should be held with the employee to inform him of the fact. The employee should be told why his suggestion cannot be used even though it is a good one. He should be told that his suggestion will be kept on file in the event it can be reconsidered later.

If the suggestion requires a period of time for investigation and consultation among several people, then the suggestion committee or the suggestion coordinator periodically should tell the employee about the progress of the investigation. Normally this will be infrequent and seldom will call for more than one letter since most suggestions can be considered in a brief span of time.

The committee may invite the employee to appear for detailed consultation and discussion about his ideas. This would be infrequent for the employee is only a suggester and is not expected to submit detailed operations and plans.

When an idea is accepted, the employee should be told immediately. It is best that the letter should contain the amount of the award and the date his idea will be put into operation.

Miscellaneous Considerations. There are several other considerations in the operations of a suggestion program.

An employee who submits a suggestion for monetary award must sign a waiver against any further claims by himself or his heirs against the city regarding use of the suggestion. This waiver can appear on the suggestion form (see Appendix B).

In case of duplication, the suggestion that is received first shall be considered for an award. To be eligible, suggestions should be submitted on the official form.

Many cities place a time limit, from 60 days to one year, when an idea or suggestion can be considered. If after that period an idea has not been used, then anyone is free to resuggest it.

Awards. Cities have found it advisable to set aside some type of award for acceptable suggestions. The awards are either cash sums based on initial savings, cash prizes awarded monthly or quarterly, and intangible awards such as certificates of recognition.

Large cities which receive a large number of suggestions may deem it advisable to award on a percentage basis. The savings must be large enough so that the award will be significant. The difficulty is that worthy and important ideas may not save money (and even may cost more). A maximum amount has to be fixed, regardless of percentage of savings, because of fiscal limitations.

Long Beach has an award scale for annual monetary savings for the first year. For a savings of \$200 or less, the amount of award is \$10. For \$201 to \$1,000, the amount is \$10 for the first \$200 savings and \$5 for each additional \$100 or fraction thereof. For \$1,001 to \$10,000, the amount is \$50 for the first \$1,000 in savings and \$5 for each additional \$200 or fraction thereof. And for \$10,001 or more, the amount is \$275 for the first \$10,000 in savings and \$5 for each additional \$1,000 or fraction thereof not to exceed a total of \$300. During the first 18 months of operation, the city received 82 suggestions of which five have qualified for cash awards totaling \$230.

In Portland, Oregon, cash awards for suggestions resulting in measurable monetary savings are approximately 10 per cent of estimated amount of such savings during the first year after adoption with a \$100 maximum and a \$10 minimum. During the first year of operation the city received 200 suggestions and gave out 23 awards with the highest being \$25.

Evanston likewise also awards on 10 per cent of the initial savings. However, it has been found that many of the suggestions cost more money even if they are worthwhile. Thus far the top award has been \$50. Of a total of 272 suggestions, 26 received cash awards totaling \$465.

For the average municipality it may not be possible to grant awards based upon a percentage of the savings. Budgetary restrictions, legal restrictions, and limited financial resources have caused most cities to consider other awards. In Tacoma, the system provides for awards of up to \$100 to be made to city employees for suggestions whose monetary value can be measured and \$25 for other beneficial suggestions.

Other cities periodically award small sums of money as prizes for the best suggestions. In Hollywood, Florida, for example, quarterly awards of \$15 for first prize and \$10 for second prize are given to employees. In Cambridge, Massachusetts, the system initially made awards three times a year and are now making them once at the end of the year. In Phoenix, Arizona, awards are made twice yearly with funds provided by a private source. In Napa, California, a committee consisting of the mayor and two insurance agents made awards from \$10 to \$25 from a fund donated by the local insurance agents' association.

Cities may not be able to award cash prizes but many give the employee some type of formal recognition such as a certificate of appreciation for acceptable suggestions. Normally this does not work as well as cash awards. One city, which does not grant financial awards, found that after initial interest, employee participation quickly subsided. The cause may be explained from the following quote from the city manager:

"I am convinced that the reason the system has not continued to develop a lot of interest on the part of employees is the fact that . . . no further incentives were given under our system. I believe that if some system of cash awards was incorporated into the program, the plan would develop much more interest among employees. . . .

"In the absence of such a system of cash or other awards, it is my feeling that any suggestion system will soon die out much as ours did."

Presentation Ceremonies. A city can practice one of the best public relations methods by organizing some type of presentation ceremony for award winning suggestions. The ceremony need not be elaborate; it can be held at a city council meeting, the chief executive's office, or the employee's work section. The chairman of the suggestion committee, the chief executive, a councilman, or the department head can present the award accompanied by a suitable letter or certificate of recognition. The presentation ceremony should demonstrate the city's appreciation for the suggestion, inform the other employees of the advantages of the system, and stimulate other persons to seek similar recognition.

The presentation of awards should receive coverage by the local newspaper, radio, television, and the city hall newsletter. This coverage recognizes the employee's contribution and informs the citizens of the savings and improvements that municipal employees are making.

Follow-Up. Once the suggestions are instituted they should not be forgotten. Immediate savings may be realized. The full potential, however, may not be known until the suggestions are integrated with the entire operation of the department or section. Consequently, adopted suggestions should be reviewed to see that they do not cause problems elsewhere, to determine whether additional improvements can be made, and to decide if the suggestions can be applied elsewhere.

Conclusions. It may seem that at times the initial savings derived from the suggestions may not be worth the time and expense of a suggestion award program. Certain intangible factors, nevertheless should be weighed. The personnel officer in Evanston defends the value of a suggestion award program in relationship to the amount of screening and review necessary by stating: "I think our suggestion system has prevented some discontent by providing a way for employees to take

action when they believe that some condition should be changed. It is frustrating to have the impulse to do something about a situation and not have the procedure in mind. Fear of being chided for presenting an idea is eliminated by the anonymous factor and by the fact that we constantly invite suggestions."

A member of the suggestion committee in Portland, Oregon, cites the following benefits of the program:

"The committee is convinced that the calibre of the suggestion has been good, and that the savings resulting from improved procedures, etc., has been very worthwhile. A review of the suggestions which received awards reveals that 95% of them have been adopted in principle.

"It has also been found that the suggestions of some employees have stimulated the thinking about some of our long-standing problems. In some cases the suggestion of the employee was not satisfactory and no award was made, but the problem was resolved because of an intensified analysis of it."

The city manager of Long Beach expresses satisfaction with the intangible results received from the program:

"The primary results of the program at this point have been to effect material savings to the City in excess of \$4,000.00 and to increase employee morale by allowing each person to participate more fully in his City's government. Moreover the future and outlook for our program seems favorable since we have received the wholehearted cooperation of most of our City personnel both supervisory and non-supervisory. It should be noted that energetic and active support by our supervisory personnel has assisted us in developing an atmosphere in which attention of all personnel is directed towards thinking about ways to improve City operations."

Work Simplification Program

San Diego, California, operates a work simplification program that is related to a suggestion system award program in many respects. San Diego's program, however, is conducted on a supervisory level, and the municipal employees are trained to look for and to make suggestions which will simplify operations and procedures. No monetary award is given, but employees making worthwhile suggestions receive public recognition. The following is an outline of the program submitted by the city manager of San Diego for use in this report.

Training. The work simplification program consists of eight two-hour sessions in which trainees discuss and learn basic techniques of method improvements which they are expected to apply. All conferences are held during the regular work day, and the participants are furnished course materials. Two men from the public works administration division serve as instructors for all classes, and the city training officer provides guidance and assistance. In addition, refresher courses of two, two-hour sessions are conducted at which material previously covered is reviewed and the progress made by the participants is discussed.

Thus far most of the participants are supervisors, with only a limited number of promising nonsupervisory personnel attending the conference. Since May, 1955, a total of 216 employees — 170 from public works and 46 from other departments — have participated.

Handling the Program. A special work simplification form was designed patterned after that used by a private firm (See Appendix D). The superintendent of each division has the responsibility for the proper handling and encouraging of the main objectives. The program, itself, attempts to instill job interests and to help personnel improve in the accomplishments of their respective tasks.

To encourage employees to submit ideas, estimated annual savings are not required. Only 60 out of 421 accepted proposals contained information on annual savings totaling about \$34,000. Many improvements were made which were not submitted as proposals. It was found that the important thing is to get the improvement made and to process a proposal only if it is necessary to get an idea in effect. The employees want to avoid "paper work" whenever possible.

A few examples of the types of activities for which proposals for improving methods and

procedures have been made are as follows: repainting and stenciling curbs, parking meter maintenance and coin collection, engine overhauls, traffic signal maintenance and repairs, sealing water meters, installing curb gutters, pavement crack pouring, sewer main cleaning, and manhole construction.

Awards for Proposals. Monetary awards are not made for the acceptance of proposals. The employee realizes the self satisfaction that accompanies improvement of a method. Other types of recognition include the following. Each participant in work simplification conferences is awarded a city manager's certificate of achievement upon completion of the course which is presented by the manager or his direct representative. The five persons turning in the best proposals during the course are awarded ball point pens with appropriate notations. The names of all persons who have submitted proposals which are accepted are published in the public works newsletter, along with the description of many proposals. Short stories and articles have appeared in engineering and public works magazines and in the local newspapers.

Advantages of the Program. The following advantages were noted:

1. The employee receives recognition for his part in the improving of job methods and procedures and in increasing productivity. The recognition serves to improve over-all employee morale.
2. The employee receives formal training to find better and simpler ways to do his job. He also has the opportunity to establish relationships and to exchange ideas with supervisors from other departments.
3. Channels for the communications of the employee's ideas are established.
4. The employee is encouraged to contribute proposals with the assurance that all ideas will be considered.
5. The program is relatively simple and inexpensive when compared to the requirements in time, manhours, and money needed to operate a good monetary award system.

Problem Areas. Several problems have been encountered in the operations of this program. Lack of monetary award makes it necessary to place great emphasis on the intangible rewards for improving job methods. All supervisors and administrators must support the program wholeheartedly. They must encourage employees on a day-to-day basis to submit job improvement ideas. Until additional refinements are instituted, it is difficult to ascertain the facts on the number of job improvements made and the dollar savings of these improvements.

Service Pins and Certificates

Many cities award service pins for recognition of continuous employment with the municipality. The service pin serves a two-fold purpose. First, it recognizes the employee for the long and devoted municipal service rendered; second, it acquaints other employees with the intangible benefits of municipal employment.

Cynics may claim that a service pin is trivial recognition for years of devoted and unselfish service. In part, they may be correct. Many young civil servants probably would prefer a bonus rather than a pin after five or 10 years of employment. However, the older a person gets and the longer a person is in municipal employment, the more value he places on his service. The comments of the assistant city manager in Birmingham, Michigan, illustrate this:

"There have been some who have maintained that it has greatly benefited the employees' morale to be formally recognized at these occasions. It would appear that this is truer of the long-term employees to whom the length of service means a portion of their actual life than it does to the newer employees who are receiving a five or 10-year certificate. Certainly the recognition that has been received by the retired employees and the long-term employees has been received with genuine appreciation.

"I think perhaps the most concrete evidence of the value that has been set by some employees on the recognition pins was demonstrated very effectively but very unpretentiously when one of our foremen passed away. I could not help but notice in viewing his body at the funeral bier that

prominently displayed on the lapel of his suit was an employee service emblem for his years of service with the City. I do feel that, to the family at least, the recognition had a significant meaning."

Type of Pin. Normally a service pin is small (the size of an ordinary lapel button), contains the city seal or some predominant municipal land mark (e.g. the city hall), and indicates the number of years of service. The pin generally is inlaid with a precious metal and/or stone to indicate long periods of service.

Certificates. Cities have instituted the practice of awarding certificates with service pins. Fort Lauderdale, Florida, issues a certificate of recognition of the completion of the years of service along with the service pin. Birmingham, Michigan, accompanies the awarding of the emblem with a certificate bearing the name and seal of the city, the employee's name, a statement of the nature and significance of the award, and the signature of the mayor and city manager.

Birmingham also provides certificates of service to each employee at the time of his retirement. The city has two other types of recognition. First, the city awards a departmental certificate for meritorious or distinguished accomplishments within the department reflecting credit upon the department and the city. Second, the city presents a certificate and medal for valor in the performance of service requiring exceptional courage and bravery or ability.

San Jose, California, in its preliminary plans for its contemplated employee recognition program recommended that suitable certificates be awarded to retiring employees at an annual dinner.

Rules and Regulations. A municipality should have rules or regulations governing the awarding of service pins and certificates. The regulations should be part of the personnel manual. These regulations should cover such matters as employee eligibility; definition of continuous service; leaves of absence relating to military duty, illness, and injuries; resignation, discharge, and suspension; and presentation and procedural operations.

Presentation Ceremony. It is important that the city present the service pins and certificates during some type of ceremony. It need not be elaborate, but it should be organized and publicized so that the recipient and his fellow employees know about the achievement. One city manager (Beverly Hills, California) cites the advantages of a presentation ceremony:

"The attendance at these events is becoming increasingly greater each year as employees develop the habit of inviting their relatives and friends to see them receive awards. . . . Through good publicity and planned news releases, an employee gets the opportunity to have his name in the paper and perhaps even a picture. . . . The social gathering after the program gives the average field employee an opportunity for personal contact with the council which he does not receive at any other time during the year. . . ."

In Santa Monica, California, the department head presents the service pins for five, 10, and 15 years of employment usually on the anniversary date. The department head adopts his own procedure of presentation, although some type of ceremony is encouraged. The mayor presents the service pins for 20 or more years quarterly at a regular council meeting. Relatives, friends, and fellow employees are encouraged to attend the ceremony. Women employees are given corsages by their fellow employees. The mayor generally will make a presentation speech, and the local press will take photographs — copies of which are given to the recipients of the awards.

Arlington County, Virginia, adopted a presentation ceremony of service pins at county board meetings in lieu of presentation at an annual assembly. The latter program did not attract many employees to observe the presentation ceremonies. The new plan provides for presentation of 25, 30, and 35 year awards at a regular meeting of the county board with the board chairman making the presentation. The county manager will present 15 and 20 year awards, and the individual department heads will present five and 10 year awards. It was found that presentation during the employee's anniversary month is better than presentation only once a year for all employees.

San Jose has held several annual employee recognition ceremonies since 1949. Presently the city does not have this program but is considering revising a somewhat similar ceremony. The city held its last assembly in the municipal auditorium. The city manager and members of the city council made addresses and presented awards. The municipal band played musical selections, local

talent provided entertainment, and the park department supplied floral decorations. The employees received admission tickets for their family and friends, and a program was printed for the occasion.

Kansas City, Missouri, has a somewhat more elaborate program for showing its recognition and appreciation to employees who have been continuously employed over a long period of time. The employees to be honored are invited to attend a reception held in a ballroom of a hotel. Each is permitted to bring a member of his family or a friend as his guest. During this period, the mayor, city manager, councilmen, and department heads mingle and reminisce with these men upon the progress and activities that have occurred in the municipal government. At the conclusion of the reception, the guests adjourn to a formal dinner where they sit at tables with the city officials and their wives. Following the dinner, entertainment is provided. The presentation of service emblems is the last item on the program. The employee first receives an invitation when he has completed 10 years of service. He is invited again every five years until his 25th year; thereafter, he is eligible to attend each annual dinner.

Pontiac, Michigan, conducted a somewhat similar program. Retired personnel, employees with 15 or more years service, spouses, city officials, and civic leaders attended a recognition dinner held at one of the service clubs. The affair was conducted informally. The dinner had a reunion atmosphere, as retired employees renewed old acquaintances with employees and other retirees. Participation of employees on committees to set up arrangements, programs, and awards was found to be important.

In Shorewood, Wisconsin, the village government holds an "Award Night" to recognize length of service and perfect attendance. Seniority is recognized by the issuance of pins for women and buttons for men, starting with 10 years of service and for every five years thereafter. For 25 years of service the employees also receive a \$25 savings bond, and for 30 years they receive engraved watches. Employees that have perfect attendance for the past year get \$10 gift certificates applicable in a local department store. The city supplies refreshments and music, and after the presentations it is more or less a social get-together.

Dinners and Picnics

Some cities hold annual banquets, picnics, or parties which allow the municipal employee to bring his family and to meet the other employees, their families, and city officials. As an incidental function of the program, service awards may be presented. Generally, these gatherings are informal and more of a social event.

Picnics. The idea of a picnic for city employees has become more prevalent in recent years. Perhaps the employees like the relaxed and informal atmosphere of a picnic; perhaps they like the opportunity that a picnic offers to bring their children.

In Palo Alto, California, the city holds an annual picnic for its employees, retired employees, and their families. The personnel officer coordinates the program and handles the expenditures. The employees, however, do the main job of organization, planning, food purchasing and preparation, information, food service, parking, and cleanup. The committee meets once a week, six weeks before the picnic. The meetings start at 4:30 p.m. so that little time is lost from regular duty. City vehicles are used to transport food and equipment.

The picnic is at a special area which has facilities for barbecuing, swimming, baseball, children's activities, dancing, and so on. The employees' association contributes prizes for bingo and door drawings. Activities with prizes include father and daughter sack races, mother and son sack races, children's races according to age group, and swimming races.

The city pays most of the cost. A nominal ticket charge is assessed for all persons over six years of age (which covers the entrance fee to the picnic ground) to determine the number of people who actually plan to attend. The net cost to the city in 1957 was under \$2.45 per person. The general opinion is that the picnic is worth while. It is the subject of conversation among the employees for a good period of time and acts as a tonic for employee morale.

Shorewood has an annual summer picnic for its employees. The village provides a certain

amount of food and beverage; the employees bring their own main dishes or sandwiches. The school recreation director holds games and contests for the children, and prizes are given. The picnic is held on a Friday afternoon, and the village grants the time off to attend.

Other Social Events. Some cities have other events which recognize employee service. Eau Claire, Wisconsin, holds an annual Christmas party for its employees. At this function service pins are awarded to employees with 20 or more years of service. Shorewood has a Christmas party for its employees' children. It is held in one of the park buildings, and village supplies refreshments, gifts, and entertainment.

Fremont, Michigan, formerly provided an annual employees' banquet. Besides the dinner, there were entertainment and the presentation of service awards. In the past year, the employees have regarded the affair as being too formal, and the idea was abandoned in favor of an employee picnic.

Longevity Pay

Several municipal governments use longevity pay as a method of recognition for senior service. Longevity pay presupposes that a city has well established personnel classification and pay plans. Before longevity can be established the city should consider the importance of a sound salary range with an adequate number of steps, adequate pay intervals, and a realistic time interval between steps.

A longevity pay plan is used to compensate an employee at a higher rate than the maximum rate provided by the class to which his position is allocated. This is done without any change in position classification plan or the basic pay plan. In addition to length of service, the other basic requirements to qualify for longevity pay usually are: (1) a certain period in the class position, (2) a stipulation period at the maximum rate of pay rate, and (3) satisfactory service rating.

Advantages. Longevity pay provides coverage for long term and efficient service. It offsets to some extent the lack of incentives of employees in positions with few promotional opportunities. It helps reduce turnover among long term and experienced employees. It tends to lessen demands for general increase in the maximum pay rates.

Disadvantages. The following disadvantages should be considered when contemplating the use of a longevity pay plan. It breaks down the merit concept of pay increases because of undue emphasis on seniority. It brings increased retirement costs to the city resulting from high salaries paid to older employees. It brings additional budgetary problems in financing the increase in salary to be paid. It has a tendency to coddle older employees regardless of efficient service.

One city found that a longevity pay in addition to establishing unequal pay for unequal work also conferred a hidden pay benefit upon some classes of employees which was never mentioned when demands for wage increases were made. The plan instituted so many varying pay rates for employees in the same classification that it was almost impossible to keep any adequate statistics.

Additional information on longevity pay plans can be found in the MIS Report No. 157, *Use of Longevity Pay for City Employees*, February, 1957. Also of possible interest is a publication dated March, 1958, and entitled *Longevity Pay Provision in Several Cities, County and State Services, and in the Federal Government*. This report was compiled by the department of research and service of the American Federation of State, County, and Municipal Employees (Ninth and Massachusetts, N. W., Washington, D. C.). It contains a listing of individual cities and governmental units which have longevity pay plans along with the type of longevity increases, amount, and length of service required.

Further Information. Management Information Service has loan material on employee suggestion award programs such as forms, publicity releases, working papers for investigation of ideas, schedules of awards, letters of acknowledgement and rejections, and programs of presentation ceremonies. Information on service pins is available on loan including copies of service pins and certificates, rules and regulations governing service awards, and programs of presentation ceremonies.

Acknowledgements: Grateful acknowledgement is made to the following city officials who provided information for this report: George E. Bean, city manager, San Diego, California; Raymond P. Botch, city manager, Elgin, Illinois; Gordon S. Clinton, mayor, Seattle, Washington; John J. Curry, city manager, Cambridge, Massachusetts; William W. Farris, personnel director, Memphis, Tennessee; John H. Foster, personnel director, Arlington, Virginia; Elder Gunter, city manager, University City, Missouri; Jacob J. Goll, city manager, Fremont, Michigan; Charles T. Henry, village manager, Shorewood, Wisconsin; Wayne Higbee, personnel director, Santa Monica, California; Bert W. Johnson, city manager, Evanston, Illinois; Robert D. Johnson, employee relations supervisor, Portland, Oregon; Jerome Keithley, city manager, Palo Alto, California; R. S. Kenning, assistant city manager, Birmingham, Michigan; Donald S. Macrae, personnel director, San Jose, California; C. A. Miller, city manager, Saginaw, Michigan; Thomas J. Patten, personnel director, Kansas City, Missouri; David D. Rowlands, city manager, Tacoma, Washington; Don C. Stewart, city manager, Benton Harbor, Michigan; William J. Veeder, city manager, Fort Lauderdale, Florida; Samuel E. Vickers, city manager, Long Beach, California; D. G. Weiford, city manager, Eau Claire, Wisconsin; John B. Wentz, administrative officer, Beverly Hills, California; and W. K. Willman, city manager, Pontiac, Michigan.

Note: This report was prepared by John J. Hunnewell, staff member, the International City Managers' Association.

AN ORDINANCE (No. 16078) relating to municipal employment and compensation therefor, and amending the Official Code of the City of Tacoma, Washington, by adding thereto new sections, to be designated as Sections 1.12.650, 1.12.660, 1.12.670, 1.12.680 and 1.12.690.

BE IT ORDAINED BY THE CITY OF TACOMA:

That the Official Code of the City of Tacoma be and the same is hereby amended by adding thereto certain new sections to be designated Sections 1.12.650, 1.12.660, 1.12.670, 1.12.680 and 1.12.690, reading as follows:

1.12.650. That the City of Tacoma does hereby adopt a program of monetary awards in order to stimulate suggestions from City employees which will be of benefit to the City of Tacoma. Any employee except those employees acting as department directors, heads or division heads, shall be eligible to participate in said program, provided that any suggestions received from supervisory personnel shall be remote from the duties and responsibilities of the person making the suggestion.

1.12.660. There shall be created a Suggestion Award Board for General Government, the members of which shall be appointed by the City Manager. There shall be created a Suggestion Award Board for the Department of Public Utilities, the members of which shall be appointed by the Director of Utilities.

1.12.670. Each Suggestion Award Board shall meet in regular session at least once a month. Additional meetings may be called by the Chairman. A majority of the members of either Board shall constitute a quorum for the transacting of all business, provided, however, a majority vote of the members of either Board shall be necessary in order to adopt any motion or resolution with reference to the making of awards. The Suggestion Award Boards shall have the power to formulate certain rules and regulations concerning the processing of suggestions, the preparation of applications for suggestion awards, and all other matters pertaining to the carrying out of this program. The Suggestion Award Boards shall evaluate each suggestion and shall determine the eligibility of said suggestion for award. The Boards shall, subject to the approval of the City Manager or Director of Utilities as the case may be, authorize monetary awards in specific amounts or commendations as provided herein.

The Suggestion Award Boards shall have a joint meeting at least once each calendar year in order to coordinate their programs and insure uniformity of administration and procedures throughout the City to the extent practicable.

Said Boards shall prepare each year a joint annual report covering the preceding calendar year. This report shall include: (1) information concerning suggestions approved for monetary and commendatory awards, (2) total amounts awarded, (3) administrative costs, (4) measurable savings to the City, and (5) other pertinent information and statistical data.

1.12.680. Any awards made pursuant to the provisions of this chapter shall be governed by the following standards, procedure and criteria:

A. In order for a suggestion to become eligible for a monetary award, it should generally result in the improvement of equipment or practices through new or revised methods. Such changes should be of a character as may result in one or more of the following:

1. Savings in time or materials.
2. Improvements in procedures.
3. Improvements in tools or equipment.
4. Increased efficiency.
5. Elimination of hazards to personnel.
6. Improvements in working conditions.
7. Betterment of public information and relations.

B. Suggestions which result in changes of a character as outlined in Section 1.12.680. A which are of insufficient merit to warrant a monetary award may be given a commendatory award.

C. Any suggestions submitted which fall within any of the following categories shall not be eligible for monetary awards:

1. Ideas that do not pertain to City operations.
2. Suggestions for changes that the employee could have introduced with the approval of higher authority.
3. Complaints which fail to offer a constructive solution to a problem, or none is evident.
4. Requests for additional equipment of a common nature or for obvious replacements, repairs or maintenance.
5. Petitions or anonymous suggestions.
6. A solution to any problem that an employee might normally be expected to offer as a part of his job.
7. Any change under consideration at the time the suggestion was made.

D. In order that any suggestions be considered for an award, the following minimum requirements shall be complied with:

1. An employee submitting a suggestion to be considered for a monetary award shall be required to execute an agreement, in a form approved by the office of the City Attorney, agreeing that the acceptance of a cash award for the use of his suggestion by the City of Tacoma shall be deemed and considered full payment therefor and the employee shall waive for himself, his heirs and assigns, any further claim against the City of Tacoma.
2. Only one monetary award will be made for any suggestion pertaining to the same transaction or matter. In the event of duplicate suggestions, the first suggestion received will be the one considered for an award.
3. Any suggestions to receive award consideration must be submitted within sixty days after its date of adoption.
4. Suggestions must be submitted on such forms as may be prescribed by the Suggestion Board.
5. Suggestions must be signed by the person submitting the same. The Boards shall establish procedures to insure that the name of the suggester will be held in confidence until consideration of the suggestion has been completed.

1.12.690. The amounts to be paid employees as and for suggestions received and approved shall be as follows:

A. Any suggestion resulting in measurable monetary savings shall be awarded by payment of approximately ten per cent of the savings anticipated during the first year after the adoption of the suggestion; provided, however, that the maximum award shall not exceed the sum of \$100.00.

B. Any suggestions resulting in benefits not measurable in terms of monetary savings shall be awarded by a lump sum payment in the sum of \$25.00.

C. Presentation of awards shall be made jointly by the Mayor, on behalf of the City Council, and by the City Manager for the General Government or the Director of Utilities for the Department of Public Utilities, as the case may be.

Passed April 28, 1958

INSTRUCTIONS: Describe your improvement on this form, fill in all items on this side of form. Attach a drawing or sketch if it will help explain your suggestion. Place this form when completed in the suggestion box. If more than one suggester, use second form to identify co-suggester(s).		P-36 SUGGESTION FORM CITY OF LONG BEACH		DATE REC. BY PERSONNEL OFFICE <hr/> SUGG. NO. <hr/>	
1. SUGGESTER'S NAME (Last - First - Middle Initial)		2. SUPERVISOR			
3. JOB CLASSIFICATION	4. DEPARTMENT	5. DIVISION	6. SECTION		
7. TITLE OR SUBJECT OF SUGGESTION					
8. PROBLEM (Describe problem, difficulty or circumstances that prompted your suggestion)					
9. PRESENT METHOD (describe in detail - give shop, office or other location and conditions involved)					
10. SUGGESTED METHOD					
11. WHAT WILL THIS SUGGESTION ACCOMPLISH? (Advantages - how it can be accomplished)					
12. I HEREBY AGREE THAT THE CITY OF LONG BEACH IS GRANTED FULL RIGHTS TO USE THIS SUGGESTION.					
SIGNATURE OF SUGGESTER _____				DATE _____	
TO BE COMPLETED BY SUGGESTER			SUGGESTION ACKNOWLEDGMENT		
TITLE OF SUGGESTION			THANK YOU FOR YOUR SUGGESTION, IT WAS RECEIVED ON _____ AND HAS BEEN ASSIGNED NO. _____ YOUR INTEREST IN PRESENTING AN IDEA TO BUILD A BETTER AND MORE EFFICIENT CITY GOVERNMENT IS APPRECIATED.		
NAME OF SUGGESTER					
DIVISION					
DEPARTMENT					
			CHAIRMAN - SUGGESTION COMMITTEE		

APPENDIX B - Continued

TO: (Name)		DEPT.		DATE	
<p>This suggestion is forwarded for investigation, appropriate action and report. Please consider the intent, effect, advantages and disadvantages of this suggestion and answer all questions that apply to this suggestion. Return this report to the EMPLOYEES SUGGESTION COMMITTEE, C/O PERSONNEL DIRECTOR, CITY HALL, within 15 days.</p>					
1. DOES SUGGESTION MERIT ADOPTION? <input type="checkbox"/> YES <input type="checkbox"/> NO (Give reasons for answer in space 4)			2. IS SUGGESTION PART OF SUGGESTER'S NORMAL DUTIES? <input type="checkbox"/> YES <input type="checkbox"/> NO (Give reasons for answer in space 4)		
3. IS SUGGESTION IN OPERATION? IF YES, GIVE DATE OF INSTALLATION. IF NO, EXPLAIN WHY. <input type="checkbox"/> YES DATE <input type="checkbox"/> NO WHY?					
4. RECOMMENDATION: (Give reason for answer to questions 1 and 2 in such form that it may be included in letter to suggester.)					
5. WOULD ADOPTION OF THIS SUGGESTION RESULT IN A NET SAVINGS? <input type="checkbox"/> YES <input type="checkbox"/> NO (If yes, estimate the amount of savings which would result in space below. This estimate is to be based on cost of present method less cost of suggested method including cost of installation of any equipment, amortizations of equipment, etc?)					
PRESENT OR OLD METHOD			SUGGESTED METHOD		
OPERATION	Man Hrs. or Units Used	COST	OPERATION	Man Hrs. or Units Used	COST
TOTAL			TOTAL		
7. ANNUAL NET SAVINGS	MATERIAL	LABOR	OTHER (Specify)	TOTAL	TOTAL MAN HOURS SAVED
\$	\$	\$	\$	\$	
8. INVESTIGATOR'S SIGNATURE			9. DEPARTMENT HEAD'S SIGNATURE		
DATE			DATE		
10. DATE SUGG. ADOPTED		11. COMMITTEE'S ACTION			
		<input type="checkbox"/> RECOGNITION AWARD <input type="checkbox"/> CASH AWARD (Amount \$) <input type="checkbox"/> REJECTED			
12. SIGNATURE - CHAIRMAN - SUGG. COMMITTEE			13. APPROVED - CITY MANAGER		
			DATE		

THIS IS WHAT
HAPPENS
TO YOUR SUGGESTION
(APPROXIMATE CYCLE 60 DAYS)

1. PICKED UP EACH THURSDAY AND SUBMITTED TO PERSONNEL OFFICE
2. PERSONNEL OFFICE: LOGS - SENDS ACKNOWLEDGEMENT - SENDS TO APPROPRIATE DEPARTMENT FOR EVALUATION.
3. DEPARTMENT: EVALUATES - MAKES RECOMMENDATIONS - IF APPROVED, INITIATES ACTION TO PLACE INTO EFFECT - IF DISAPPROVED, GIVES DETAILED REASON FOR DECISION - RETURNS TO PERSONNEL OFFICE.
4. PERSONNEL OFFICE: INFORMS SUGGESTER BY LETTER AS TO DISPOSITION OF SUGGESTION.

CITY OF EVANSTON, ILLINOIS

Suggestion Form

Your Ideas May Be Worth Money!

TO: CITY MANAGER

Nº 951

Date Submitted _____ Date Rec'd _____

To be sure that your idea is thoroughly understood, write your idea clearly and completely. If you need more space, attach an extra sheet. Submit drawings or charts if necessary. If you need assistance, see the Suggestion Administrator. **Remember** — It is not enough to **suggest a problem**. You must **outline its solution**.

Present Method or Condition: _____

Here is my idea: _____

I believe my idea will:

check below ☒

- ☐ Improve communication
- ☐ Improve public relations
- ☐ Reduce costs
- ☐ Improve service

- ☐ Reduce accidents
- ☐ Reduce waste
- ☐ Improve methods or equipment
- ☐ Save money

or will _____

Now — tear off the stub below. Fold the above part and place in the self-addressed envelope provided.

SS 1-56

IMPORTANT!

Nº 951

Tear off this stub and keep it in a safe place.

This is your record of your suggestion.

If an award is made for your suggestion, you must present this stub to collect the award.

— WATCH THE SUGGESTION BOARD FOR RESULTS —

GOT AN IDEA? DON'T KEEP IT TO YOURSELF! MAKE IT PAY!

This is your chance to turn your ideas into money. Your idea may be worth \$5 . . . \$10 . . . \$25 . . . \$50 . . . \$100 . . . \$150 . . . \$200 . . . \$250.

WHAT IS AN IDEA?

Any new or original idea which will improve municipal service, safety, maintenance costs, communication, methods, public relations, equipment . . . in fact, any idea which will help us to do a better job.

WHO IS ELIGIBLE?

All City of Evanston employees except the Suggestion Administrator, the Department Heads, and the members of the Approval Committee. Foremen and other supervisory personnel are eligible for awards for ideas in departments other than their own. Maintenance and technical employees are eligible for awards for suggestions outside their specified or assigned duties.

HOW ARE IDEAS TO BE SUBMITTED?

Write your idea on the other side of this form. Think it out carefully. Make your thinking understandable. Give details, sketches, charts, if necessary. Tear off stub and keep in a safe place. Put your idea in the self-addressed envelope provided and use either departmental or the U. S. Mail. If you use U. S. Mail, remember the stamp.

HOW IS YOUR IDEA HANDLED?

All suggestions will be carefully recorded and thoroughly investigated. After investigation, your suggestion will be evaluated by the Approval Committee. Final decision will be announced by the City Manager. All ideas will become the property of the City of Evanston.

HOW WILL YOU KNOW THE STATUS OF YOUR IDEA?

Suggestions received each week will be listed by number and acknowledged on a bulletin which will be posted on the Suggestion Board. Each four or five weeks a bulletin will be posted announcing awards and status of all other suggestions. Read all bulletins carefully. Watch for news or instructions regarding your suggestion.

IF YOU HAVE QUESTIONS ABOUT ANY DECISION REACHED REGARDING AN IDEA,

SEE THE SUGGESTION ADMINISTRATOR.

PROTECT YOUR SUGGESTION FORM STUB. IT IDENTIFIES YOUR SUGGESTION.

— WATCH THE SUGGESTION BOARD —

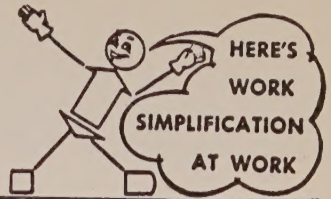
- . . . for bulletins acknowledging receipt of your suggestion.
- . . . for bulletins announcing disposition of your suggestion.
- . . . for requests for more information on your suggestion.

— TURN IN ANOTHER IDEA TODAY —

CITY OF SAN DIEGO
DEPARTMENT OF PUBLIC WORKS

WORK SIMPLIFICATION PROPOSAL

ATTACH FLOW CHARTS, SKETCHES OR OTHER INFORMATION



SUBJECT OF PROPOSAL

BRIEF DESCRIPTION OF PRESENT METHOD

I (WE) PROPOSE (EXPLAIN WHAT, WHERE, WHEN, WHO AND HOW)

I BELIEVE MY IDEA WILL:

- ☐ INCREASE PRODUCTION
- ☐ IMPROVE SAFETY CONDITIONS
- ☐ IMPROVE WORKING CONDITIONS
- ☐ IMPROVE SERVICE
- ☐ IMPROVE METHODS
- ☐ REDUCE FATIGUE
- ☐ REDUCE WASTE
- ☐ IMPROVE PUBLIC RELATIONS
- ☐ REDUCE COSTS

\$ _____ EST. ANNUAL SAVINGS

- ☐ I WOULD LIKE FURTHER ASSISTANCE IN DEVELOPING MY PROPOSAL

PROPOSED BY

JOB TITLE

DIVISION

SECTION

DATE

REVIEWED BY

DATE

COMMENTS

APPROVED BY

DATE

WILL BE/OR HAS BEEN INSTALLED

DATE

Prepare in triplicate - originator and supervisor sign all three copies.
White original and green duplicate to supervisor.
Yellow triplicate to Planning and Methods Section - Administration Division.

FORM PW 1128

COST COMPARISON OF ALTERNATE METHODS

TO BE COMPLETED BY PERSON SUBMITTING PROPOSAL

1. TIME TO DO JOB (PRESENT METHOD) _____
2. TIME TO DO JOB (PROPOSED METHOD) _____
3. SAVINGS IN TIME (DIFFERENCE BETWEEN 1 AND 2) _____
4. NUMBER OF TIMES THIS JOB IS DONE PER YEAR _____

TO BE COMPLETED BY PERSON SUBMITTING PROPOSAL OR BY DIVISION OFFICE

	ANNUAL COST	
	OLD METHOD	NEW METHOD
5. SAVINGS IN OPERATING COSTS		
(A) TOTAL MANHOURS X RATE	\$ _____	\$ _____
(B) EQUIPMENT RENTAL	_____	_____
(C) MATERIALS	_____	_____
(D) OUTSIDE SERVICES	_____	_____
(E) OTHER	_____	_____
TOTAL OPERATING COSTS	\$ _____	\$ _____

TOTAL SAVINGS IN OPERATING COSTS \$ _____
 (SUBTRACT COST OF NEW METHOD FROM COST OF OLD METHOD)

6. CHARGES ON THE NET COST OF NEW EQUIPMENT

DEPRECIATION = $\frac{\text{NET COST OF EQUIPMENT}^*}{\text{YEARS OF EXPECTED LIFE}}$ \$ _____

$\frac{\text{INSTALLATION COST}}{\text{YEARS OF EXPECTED LIFE}}$ \$ _____

TOTAL CHARGES ON NET COST OF EQUIPMENT \$ _____

7. ANNUAL NET REDUCTION IN COST (SUBTRACT 6 FROM 5) \$ _____

* COST OF NEW EQUIPMENT LESS NET SALVAGE ON OLD EQUIPMENT